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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000394

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SUBJECT: BURLESQUE AND BILLIONS OF DOLLARS LATER, SINGAPORE
STILL SEEKING SPONTANEITY

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[1](#)1. (SBU) Summary: The Government of Singapore (GOS) is attempting to steer the economy to become more knowledge-based and entrepreneurial to counter the competitive challenges China, India and other lower-cost exporters pose. Characteristically, the GOS is taking the lead, putting schemes in place to encourage creativity and entrepreneurship, particularly in "strategic" sectors. It has even tinkered around the edges of its tight political controls, mandating a relaxation in social mores in order to give Singapore "buzz." But the dominance of government-linked corporations in Singapore's economy, an educational system that stifles independent thinking, and the continued presence of the government in many aspects of Singaporean life perpetuate "habits of constraint" that may hinder the development of entrepreneurship in Singapore. The recent failure of a French topless revue franchise, part of a GOS-led effort to pump up Singapore's nightlife, has laid bare the limits of such top-down efforts. End Summary.

Creativity by Fiat

[1](#)2. (U) A strong record of economic success notwithstanding, Singapore's leadership recognizes that further growth will depend on finding economic advantages over the rapidly growing and low-cost economies of China, India, and ASEAN neighbors. As a developed nation, Singapore must also compete with other developed economies. To continue thriving, the GOS believes that Singapore must transform itself from an efficient platform for manufacturing and logistics into a global, knowledge-based and more entrepreneurial economy. With a small population, no natural resources, and a trade-heavy economy, the GOS is acutely aware of the need for Singapore to develop a strong entrepreneurial class that can adapt.

[1](#)3. (SBU) Pursuing the objective with its usual vigor, the government is pouring in resources. Prime Minister Lee Hsien Loong chairs a Research, Innovation and Enterprise Council (RIEC), established in 2005 to promote R&D and innovation in "strategic" sectors of the economy. In 2006, the RIEC announced it would provide \$916 million (SGD1.4 billion) over the next five years to fund entrepreneurs. Also in 2006, the Ministry of Trade and Industry (MTI) unveiled its Science and Technology 2010 Plan (STP2010) which commits \$4.9 billion (SGD7.5 billion) over the next five years to encourage raising R&D spending to 3 percent of Singapore's GDP by 2010.

The Challenge

14. (SBU) GOS efforts to promote entrepreneurship continue to encounter a risk-averse Singaporean mindset, government domination of the economy, and discouragement of critical thinking and inflexibility in the educational system. The 2007 Global Entrepreneurship Monitor Report (GEM) showed that, among the surveyed OECD and developed economies, Singapore was consistently below the mean for all indicators of social and cultural attitudes toward entrepreneurship. For example, only 57.8 percent of Singaporeans believed that new business success was accorded high status in their country, compared to an average of 66.2 percent among all the countries in the survey, ranking Singapore 21st of 24.

Government Itself a Cause

15. (C) Entrepreneurs continue to face obstacles in a number of sectors in the form of Government-Linked Corporations (GLCs), which account for nearly 60 percent of the national GDP. Temasek Holdings, the government's investment arm, is by far the largest investor in Singapore, with an estimated 50-percent stake in Singapore's GLCs. GLCs often compete against each other in key markets, making entry by an independently-held company difficult. For example, SingTel and Starhub, both Temasek Holdings companies, compete directly in the wireless service market and will soon do the same in the cable television market. The strong GOS role in directing the economy likely has the unintended result of "crowding out" natural economic development, according Dr. Sha Reilly, Chief Knowledge Officer at the National Library Board (NLB), which has a mandate to encourage creativity and entrepreneurship among young Singaporeans. She believes

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Singaporeans look first to the government, rather than the private sector, to be the innovation leader.

16. (C) Small and medium sized enterprises (SMEs) -- a potential source of innovation and commercial nimbleness -- find it difficult to secure financing for their businesses since financial institutions, accustomed to an abundance of large corporate customers, are reluctant to lend to riskier SMEs. The 2007 GEM report ranked Singapore 17 out of 21 countries for venture capital availability. The Singapore Stock Exchange (SGX) is similarly inhospitable to SMEs, with many Singaporean entrepreneurs opting to list in other countries. SGX Executive Vice President Lawrence Wong told us that the SGX targets SMEs with a capitalization of SG\$500 million to SG\$5 billion (\$327 million - \$3.27 billion). Wong characterized the amount as "not a lot," but it does put SGX listing out of the range of many SMEs. He says a GOS proposal to develop an exchange catering to smaller firms was "still under discussion."

7.(C) While the government has allocated various funds to encourage SMEs, a number of business leaders told us that funding is still inadequate. They suggested that even if sufficient funding were available, it would still take at least a generation before an entrepreneurial culture would truly take root. Of the \$4.9 billion STP2010 budget, less than two percent has been allocated for SME financing. Inderjit Singh, a Member of Parliament and an entrepreneur, told us that the proliferation of entrepreneurial schemes for SMEs was "government lip-service that fails to address the critical need to divest GLCs and open markets."

Political System Discourages Risk-Taking

18. (SBU) The GOS's tight political control and the "habits of constraint" it fosters have inhibited the development of an entrepreneurial spirit and risk-taking culture, according to Nominated Member of Parliament Kum Hong Siew and others. G.

Jahyakrishnan, Assistant Director of International Enterprise Singapore (IE), a government entity responsible for helping Singaporean companies grow globally, believes that a prevailing atmosphere of restraint "subtly" leads to less risk-taking behavior by firms and individuals. Siew believes the government's attempt to encourage economic risk-taking while limiting political and social freedoms is unsustainable because it discourages the kind of critical thinking required for entrepreneurship.

Education System Not Helping

¶9. (C) Singapore boasts a highly competitive and well-regarded primary and secondary education system, but the number of Singaporeans completing a tertiary education is relatively low. Only 23 percent of Singaporean students entering primary school complete a degree at a local four-year university. In other knowledge-economies such as Japan's, around 50 percent of students complete a university degree. However, according to Cheryl Chan, Assistant Director of the Planning Division at the Ministry of Education (MOE), the government does not plan to encourage more students to get a higher education. The university enrollment rate will continue to be maintained at 20-25 percent because the Singaporean labor market does not need everyone to get a four-year degree, she asserted.

¶10. (SBU) Singapore's education system has been criticized for being heavy on memorization and light on critical thinking and creativity. Based on the British model, the system is highly test-focused and separates students (a process referred to as "streaming") at an early age between high, middle, and low achievers. The GOS has slowly begun to introduce greater flexibility into the system by allowing "streaming" in subjects (rather than based on total average scores) and has created new magnet schools focused on mathematics, the arts, and sports. But there are only three such schools, and the overall education system has changed little.

Some "Strategic" Sectors Suffer

¶11. (SBU) Growth in the "strategic" media sector may be hampered by limits the government sets on freedom of speech and expression. Filmmakers such as Martyn See (reftels) or productions that touch on sensitive issues often find their

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distribution and broadcasting rights disapproved by the Media Development Board (MDA), a governmental agency responsible for regulating and promoting media industries. Cheah Sin Liang, Deputy Director of International Relations at MDA, admitted to us that the GOS's tight control over controversial political, religious, or social topics does limit growth in the media sector, but argued that such controls are necessary to prevent negative social consequences.

¶12. (SBU) Singapore's approach to promoting R&D development in the biomedical field, another government-identified "strategic" sector, has also been criticized by foreign education specialists as too focused on quick economic gains rather than fostering the "holistic approach" necessary for sustained innovation in science and technology. Dr. William Broady, President of Johns Hopkins University, told the local press in January that in order to be a leading center for R&D, Singapore had to get away from "trying to measure short-term economic returns. There has to be a mindset change... in tolerating and being comfortable with failure and ideas that don't seem to be going anywhere." (Note: Johns Hopkins stopped development of a \$53 million (SGD82 million) Biomedical Sciences research unit after its

Singapore Government partner, A*Star, accused Johns Hopkins of not meeting performance benchmarks. End Note.)

Casinos, Kumar and the Crazy Horse

¶13. (SBU) The GOS appears to recognize the need to give citizens freer rein in order to foster creativity and entrepreneurship. Unwilling to loosen political controls, it has focused so far on easing social restrictions. The government made a highly controversial decision to allow casinos, and has awarded contracts to open two integrated resorts in 2009. Kumar, a popular transvestite nightclub comedian whose material focuses on taboo subjects including race, sex and the foibles of government personalities, has been allowed to perform on television and in public venues. Singaporeans returning from long stays overseas have told us of being shocked at the mushrooming of racy billboard advertising. MDA's Cheah pointed to the opening of the Crazy Horse French Burlesque in December 2005 (which subsequently closed in January 2007 due to poor attendance), and to the "success" of the Singapore Biennale (an arts festival) as further signs of greater social openness.

Comment

¶14. (C) Ever thinking strategically, Singapore's leadership will keep pushing innovation in order to stay competitive in a rapidly changing Asia. To its credit, the government appears to recognize that its own penchant for control -- however enlightened its policy choices or soft its authoritarian touch -- may be at odds with the kind of free-wheeling atmosphere it needs to achieve its economic objectives. Time will tell whether it can promote creativity, critical-thinking, and innovation in society by loosening up on social issues and tinkering with the education system while keeping politics in quarantine. One way or another, Singapore's flirtation with openness will provide another interesting chapter in its unique history as a social-engineering petri dish.

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